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A SYNOPSIS OF STATE TRADING ORGANIZATIONS (STOs) ACTIVITIES IN AFRICA

(Note by ECA secretariat)

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STATE TRADING ORGANIZATIONS (STOs) IN AFRICA

I. General Background to African STOs

1. The rise in the tempo of State Trading Organizations' activities in a majority of African countries is partly a result of the attainment of political independence in the 1960s. This is evident from the reformulation of legislation aimed at indigenization of the economies because the struggle for political independence carried with it the promise of a better and more abundant life for all, of a just and egalitarian society and of a bright future full of opportunities[1/]. Consequently, there have emerged numerous sectoral public enterprises which are charged with the responsibility of managing a variety of economic activities.

2. The establishment of state trading organizations in most developing African countries, has been influenced by the need to achieve the following objectives:

(i) to promote national self-reliance in strategic economic sectors;

(ii) to prevent the concentration of economic power especially in the field of trade, in the hands of a few individuals;

(iii) to manage efficiently the country's resources and human resources;

(iv) to reinforce social control on trade and industry as away of ensuring an equitable distribution of goods and services especially between the urban and the rural areas;

(v) to improve the trade balance, especially where imports tend to far exceed the country's export earning capacity;

(vi) to control and regulate the intermediaries, especially where their activities tend to make it difficult to attain a reasonable level of price stabilization;

1/ The African Association for Public Administration and Management, Adebayo Adedeji (ed.), Indigenization of African Economies, Hutchinson University Library for Africa, London, 1980.

(vii) to provide the necessary commercial infrastructure for promoting a balanced and diversified economic structure so as to enable the indigenous entrepreneur to make more positive contribution to the national economy.

3. The African STOs are by definition owned and directly controlled by their respective governments. In some countries, however, there are instances where governments invite the participation of private interests, mostly from abroad, because of the need to attract foreign capital and/or expertise.

4. The relative importance of foreign and domestic operations of the STOs vary from country to country. In some countries the major share of external trade is handled by their STOs, while in the others the private sector tends to dominate. The role played by STOs in internal distribution depends also on the country in question. It can either be negligeable (Nigeria) or quite substantial (Mali, Niger) or exclusive (Zambia, United Republic of Tanzania).

II. African STOs as Export instruments

5. The significance of STOs as export instruments was in fact underlined by the participants to the African Regional Meeting on Economic Co-operation among Developing Countries (ECDC) held at Addis Ababa from 7 to 18 December 1979[2/]. The meeting further reiterated the importance of STOs in promoting co-operation of African countries with other developing countries. However the inadequacy of human and financial resources in relation to the objectives assigned to the State Trading Organizations and the cumbersome nature of their decision-making process cause them to be less effective in this field.

2/ ECA, Report of the African Regional Meeting in preparation for the Interregional Meeting of the Group of 77 on Economic Co-operation among Developing Countries, E/CN.14/RP.1/115 & Corr.1

6. It is partly against the above background that ECA deems it necessary that a concrete framework should exist to enable these institutions to be instrumental in promoting beneficial mutual trade. In this regard, STOs should consider the following measures:

(i) entering into long term contracts with each other in regard to bulk purchases;

(ii) designating each other as agents to deal with private partners in their respective countries;

(iii) granting each other preferential and priority trading partner treatment, especially to those in the least developed countries;

(iv) the possibility of establishing joint trade intelligence offices at carefully selected locations;

(v) expanding co-operation among themselves by increasing the exchange of experiences;

(vi) collaborating neighbouring States of subregional and/or regional economic groupings could establish common storage facilities in carefully selected locations;

7. Similarly, action should be taken to ensure that STOs which are major exporters of non-traditional products, should take joint measures to promote those exports. For instance, they should create permanent exhibition centres, publish advertising material and participate in trade exhibitions and fairs. They could also set up joint marketing groups which would, among other things, negotiate directly with the main overseas bulk purchasers.

8. There is a need for other measures including, in particular, the improvement of transport and telecommunications infrastructure and the establishment of payments, insurance and credit and financing arrangements among developing countries.

9. Developing regions of Latin America and Asia who with the financial support of UNDP have had an opportunity of regional meetings of STOs will attest to the benefits derived, especially in terms of sharing experiences and laying the foundations for promoting co-operation among developing countries. Unfortunately,

the same cannot be said for the countries of the African region to whom such assistance has not been extended in this field. It goes without saying that Africa in which is to be found the majority of the UN designated least developed countries should also be assisted to hold its own regional seminar. ECA in collaboration with the Organization of African Unity (OAU) and UNCTAD have already initiated work on establishing an Association of African STOs under whose auspices a system of periodical meetings among African STOs could be undertaken.

III. The Case of Sugar Exports

10. Perhaps one illustrative example in this field from the African stand point could include consideration of aspects of sugar exports. African sugar production is very small as compared to the world production. In 1979, Africa produced 38,880,000 tonnes equivalent to only 4.37 per cent of total world production estimated at about 88,760,000 tonnes.

11. Production and export of sugar in Africa is regionally unbalanced. There are 3 producers in North Africa consisting of Egypt, Morocco and Sudan. However, none of these are sugar exporters. In West Africa sugar is produced mainly by Niger but the country is also a net importer of the same commodity. Other West African countries are the Ivory Coast and Nigeria. In Central Africa it is Congo, Zaire and Rwanda but production is not sufficient to meet total domestic production. Thus, the main African sugar producers are those in the Eastern and Southern Africa subregion comprising Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Somalia, and Swaziland. In these countries, revenue from exporting sugar represents 12 per cent, 67 per cent,15 per cent and 37 per cent respectively of their export earnings.

12. On the basis of information derived from studies carried out by UNCTAD in the following selected countries: Mali, Niger, Senegal, Congo, Chad, Tanzania,

Zambia, Kenya, Nigeria and Ghana, it was shown that sugar in these countries was imported by at least one STO.[3/] The biggest importers are countries in West Africa where there are very few producers apart from Niger.

13. One can identify several common elements to both exporters and importers of sugar in the African region. The fact that some developing African countries have a considerable sugar production deficit should be ground enough for sugar importing STOs to organize themselves at subregional level in order to draw maximum advantages from their purchases. For example, in Western Africa, STOs in Senegal, Mali, Niger, Ghana, Nigeria should:

(a) establish common storage facilities;

(b) buy and transport jointly their purchases which in itself could lead to:

(i) economies of scale from the purchase of large quantities and the use of joint transport facilities;

(ii) increased negotiating power of their STOs vis-a-vis suppliers and hence more advantageous prices;

(iii) positive impact on the individual consumer because by getting the sugar at the lowest possible price.

14. Governments in the subregion concerned could help their STOs in carrying out the above by:

(i) giving their STOs priority in obtaining convertible currency to settle their purchases;

(ii) granting tariff exemptions to sugar imported from STOs in the other developing regions;

3/ UNCTAD, Co-operation among State trading organization of sub-Saharan African developing countries, TD/B/C.7/18; Co-operation among State trading organizations of developing countries in English-speaking Africa, TD/B/C.7/18 Add.1; Cooperation among State trading organizations in French-speaking Africa South of the Sahara, TD/B.C.7/18 Add.2 and Corr.1.

(iii) ensuring rapid and reliable communication so as to assist their STOs to become effective instruments for promoting economic co-operation among developing countries;

(iv) assisting them in such other fields as telecommunications, payments arrangements, insurances, trade financing and management, etc.

15. It is partly due to the lack of the above facilities that there is not much trade in sugar between the producing Eastern and Southern African subregion and the deficit non-sugar producing West African subregion countries.

IV. Perspectives for African STOs

16. There are several ways of using STOs to achieve economic objectives at national subregional, regional and interregional levels. STOs in developing countries should be able to offer good opportunities in furthering the implementation of trade policies, both within the wider context of the New International Economic Order (NIEO) and towards collective economic self-reliance among developing countries. However, this identified potentiality would depend on whether the respective developing countries are committed to exploiting them to the full.

17. The role of STOs at interregional level was reiterated at the Conference of the Group of 77 on Economic Co-operation among Developing Countries held in Mexico City from 13 to 22 September 1976. This same view has been upheld at subsequent meetings of developing countries. Work on exploring further the great potential of STOs within the context of interregional co-operation has already been initiated at several levels. Additional reinforcing factors for some of this work include the various terms of reference under which the United Nations System operates and not to mention the work approved by the Committee on Economic Co-operation among Developing Countries.

18. The Assembly of Heads of State and Government of the Organization of African Unity during its Second Extraordinary Session devoted to economic problems in Africa in Lagos, Nigeria, from 28 to 29 April 1980 recommended among other things that "Associations of State trading organizations should be established at the subregional level which should evolve into an African Association of State Trading Organizations not later than the end of 1985, with a view to harmonizing their operational policies and procedures and agreeing on the joint procurement of selected key imports among the countries concerned".

19. It is therefore necessary in this regard to formulate appropriate strategies linking STOs at the interregional level while taking into account certain fundamental differences among different countries. For one thing, it might be advisable to start paying closer attention to aspects that are likely to keep them apart. But this is not to suggest that we should neglect strengthening or exploiting areas with an already identified potential. In this connection also it would be in order to devise ways of encouraging bilateral and multilateral contacts at interregional level.

20. Several obstacles apart from the few listed above prevent African STOs from fulfilling their mission. These include inter-alia: (a) the difficulties associated with the lack and shortage of manpower skills. These skills are necessary not only to control but also to arrest possible declines in efficiency of productivity; (b) the difficulties of raising sufficient capital for expanding each of these enterprises, especially where it is a question of buying out expatriate ownership. In other words, indigenization of the sector; (c) the inability of STOs to take advantage of the forward and backward linkages with other sectors within the economy; (d) failure of emerging new STOs to borrow or profit from the experience of older STOs within the same region or elsewhere. However, Nigeria has, in recent years, profited from the assistance and expertise of the sugar industry of Mauritius in establishing and running her new sugar projects.

Conclusions

21. It can be stated in conclusion that the ultimate objective of co-operation between and among STOs is the promotion of mutual economic and technical co-operation. Another objective of STOs is to assist Governments in the identification and formulation of joint activities aimed at promoting a greater exchange of goods and services among the African countries. STOs could therefore be effective instruments for the promotion and expansion of intra-African trade. Consequently, greater priority should be given to devising effective arrangements and for developing or strengthening institutional machinery for co-operation among the African STOs. Once this is achieved, the next phase would be interregional co-operation among STOs in Africa, Asia and Latin America.